

School District Revenue Limits

LEGISLATIVE ANALYST'S OFFICE

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Major Elements of the District Revenue Limit Formula

2004-05
(In Millions)

Program	Description	Total Cost
Base Revenue Limit	Pays for the basic costs of educating a student.	\$27,753.4 ^a
Necessary Small Schools	Subsidizes very small schools, usually in small districts.	109.7
Excess Taxes	Property tax revenues in excess of the amount needed to fund a district's revenue limit entitlement. These districts receive only basic aid and categorical funds from the state. (Non-Proposition 98).	201.4
Meals for Needy Pupils	Funding in lieu of property tax revenues that were approved by voters prior to Proposition 13.	126.8
SB 813 Incentive Programs	Funding to increase the length of the school day and school year and to increase minimum teacher salaries. Enacted in 1983.	1,231.7
Minimum Teacher Salary Incentive	Funding to increase minimum teacher salaries. Enacted in 1999 and 2000.	87.1
Interdistrict Attendance	Funding for an interdistrict attendance program affecting two districts.	0.5
Continuation Schools	Funding for continuation high schools if the school was opened after the passage of Proposition 13.	34.4
Unemployment Insurance (UI)	Reimbursement for district UI costs in excess of the district's 1975-76 UI costs.	212.2
Public Employees' Retirement System (PERS) Reduction	Reduces district funding based on the difference between the current district contribution for PERS employees and a specified base amount.	-10.3
Total		\$29,715.7

^a Amount includes deferrals in payments to districts, and proposed equalization funding. Excludes revenue limit funds resulting from the budget's proposal to merge 22 categorical programs and the charter school block grant into revenue limits.



LAO General Purpose Funds Large Unified School Districts

2002-03 (Dollars Per Average Daily Attendance)

	Average	High	Low
Revenue Limit	\$4,571.20	\$6,592.16	\$4,406.37
Necessary Small School	14.23	1,312.72	—
Excess Taxes	51.65	5,843.40	—
Meals for Needy Pupils	22.25	616.17	—
SB 813 Incentive Programs	216.69	385.75	168.99
Unemployment Insurance	4.61	13.04	—
Continuation School	12.84	122.82	—
PERS ^a Reduction	-87.88	—	-232.33
Totals^b	\$4,809.40	\$10,684.40	\$4,549.53

^a Public Employees' Retirement System.
^b Includes constitutionally required "basic aid" payments. Funding for these payments was eliminated in the 2003-04 Budget Act.

- Districts receive widely varying amounts for each adjustment.
- Even though each adjustment provides general purpose funds to districts, these funds are excluded from equalization calculations.
- We recommend adding the last five adjustments in this figure into base revenue limits. Doing so would allow the Legislature to equalize the actual amount districts receive in general purpose funding.



Effect of the Governor's Equalization Proposal Revenue Limits by Size and Type

2002-03 Data

Size and Type	Number of Districts	Median	Ninetieth Percentile	Difference	
				Amount	Percent
Unified Districts					
Large (more than 1,500 ADA ^a)	258	\$4,512	\$4,580	\$68	1.5%
Small	69	4,856	5,062	206	4.2
High School Districts					
Large (more than 300 ADA ^a)	87	\$5,191	\$5,300	\$109	2.1%
Small	4	5,720	5,812	92	1.6
Elementary Districts					
Large (more than 100 ADA ^a)	473	\$4,347	\$4,429	\$82	1.9%
Small	91	5,323	5,484	161	3.0

a Average daily attendance.

- The budget's proposal for equalizing revenue limits has the effect of providing significantly different increases to different sizes and types of districts.

- If the subcommittee allocates funding for equalization, we suggest that it request LAO, the State Department of Education, and the Department of Finance develop equalization targets that do not alter the size and type of funding relationships.